PR

OCTOBER, 1942

BUSINESS CONDITIONS

A REVIEW BY THE FEDERAL RESERVE BANK OF CHICAGO

Treasury Tax Savings Notes

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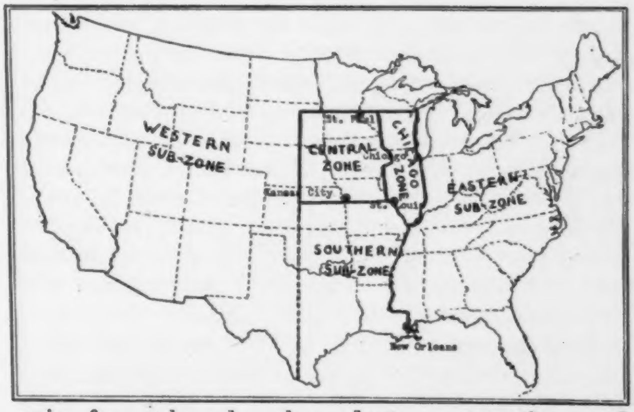
Price Ceilings Again Revised for Pork and Pork Products



The estimated production of meat for 1943 is 24 billion pounds. Of this production 6½ billion pounds are estimated to be required for lend-lease commitments and for the military forces, leaving a residue of less than 18 billion pounds for domestic civilian consumption. Allowing for shrinkage in processing and for the small consumption by babies and children, this is estimated to leave approximately 130 pounds of meat available per person. This is somewhat less than the consumption of 140 pounds estimated for 1942 but equal to the average consumption of the 1931-40 period estimated at 130 pounds.

The problem of rationing and meat price control arises from the fact that dollar incomes of the consuming public have risen rapidly in the past 15 to 18 months, and while not all incomes have risen, the rises have been substantial and general enough to result in a net increase in consumers' dollar demand for meat and meat products. As a result of these rises and the greater demand, consumers, if they could, would buy substantially more meat than will be available for domestic consumption. As supplies become more and more limited due to war requirements and the strain on productive agricultural facilities for livestock, the problem of price control becomes more acute.

Rationing of meats appears to be inevitable, as an adjunct to price control, to insure equitable distribution of the available supply. Rationing is currently reported to be tentatively set for some time after January 1.

Meat Price Control to Date

The need for price action to stem the rapid rise in pork prices is shown by the extent of rise in pork prices from March 1941 to March 1942. Wholesale values of pork products advanced as much as 45 per cent in some areas, and retail values were up 33⅓ to 40 per cent for the year.

The first restriction on wholesale meat prices came in March 1942 when the wholesale prices of pork and pork cuts were frozen at the level of March 3 to 7. Later this base was shifted to February 16 to 20 in order to get around a situation in which it was believed that some sellers had anticipated the ceilings and had, therefore, raised their prices by March 3 to 7, giving them an undue advantage over other sellers. Specific uniform differentials were permitted to be added to the February 16-20 selling prices of each wholesale dealer to allow for the rise in the level of pork prices to March 3-7. This order as amended was a temporary price order and was followed by the permanent order confirming these ceilings on a permanent basis. In April the General Maximum Price Regulation order was issued effective May 18, establishing as the maximum retail price for pork and pork products, among other products, the highest price charged by each seller in March 1942. The permanent order on wholesale ceilings represented an effort to set up a technique of pricing which made full allowance for the complex pricing mechanism of the wholesale pork industry.

Other OPA regulations with regard to meat included the order effective in July which required that ceilings on beef and veal and sausage (other than pure pork) should be no higher than the lowest prices at which dealers sold at least 30 per cent of their volume in the last two weeks of March. A temporary order was issued on lambs in July effective in August. Further regulation included the restriction order on sales which limited the amount which any slaughterer could sell into domestic consumption during the last quarter of 1942 to 75 per cent of the pork, 80 per cent of the beef, and 95 per cent of the lamb delivered in the fourth quarter of 1941. This order hit the Eastern States because of their low proportion of federally inspected slaughter, since those not killing under federal inspection could not sell left-over supplies resulting from the restriction as easily to Governmental agencies as could federally inspected slaughterers. It also hit the non-slaughtering plant because it did not have a base of slaughter. On November 7 the restriction on beef was amended to allow sale of only 70 per cent of the beef during the remainder of 1942.

Effects of the Ceilings

Almost from the beginning these wholesale pork ceilings in combination with the retail ceilings caused a serious disruption in the normal flow of pork and pork products to market. The unequal ceilings, in spite of attempts to correct them by amendment to the temporary order, resulted in advantage to those who had relatively high prices in the base period. Ceilings were reported to be high for some packers because they anticipated the price rises. Some sellers operated on the basis of price lists while others did not, these price lists being

in the nature of asking prices with actual sales somewhat below the list. When prices were frozen, packers using these lists only as a starting point, had an advantage in reporting these price lists as their actual sales prices.

These inequalities in ceilings in turn tended to favor some areas with supplies, shorting other areas, since sellers naturally tended to favor those areas where the gross return would be largest. The unequal ceilings gave a competitive bidding advantage to those who had high ceilings, enabling them to bid away the limited supply of animals, a struggle in which they were spurred on by their desire to hold customary trade following. This scramble for supplies put a squeeze on the low-ceiling operators, threatening their continuance in business. The struggle for live animals resulted in a relatively high animal price which drastically reduced the packing margins or spreads between live animal prices and wholesale product prices, putting live prices out of line with sound relationships. U. S. margins between live animal and retail values declined from over 7 cents per pound in early 1941 to 4 cents by late March of 1942 and to less than 3 cents for the month of August.

At one time the Secretary of Agriculture announced a program designed to correct the inequalities in price ceilings and to relieve the pressure on those packers in difficulty. This program had three points: (1) the reduction in the spread allowed above ceilings for lend-lease and army purchases; (2) setting up of differentials in these premiums to give distressed regions a little better break; (3) the offer of Government contracts to packers to operate on a subsidized custom basis in order to keep the threatened packers in operation. It is generally believed by observers in the trade that this program had little effect in relieving the difficulties.

The high live prices resulting from the competitive scramble for supplies have helped to create a serious marketing problem. Because of price uncertainties supplies now threaten to come onto the market in such volume during the peak marketing months this winter as to overburden slaughter and storage facilities, especially freezing and chilling units. The extremely favorable live animal price has encouraged producers to fatten out their hogs to heavier weights. This tends to delay marketings. Although this added weight contributes materially to the need for all that can be produced, it complicates the marketing and processing problem.

Provisions of the New Order No. 148

Under the new order three zones of uniform prices are set up, the ceiling prices being uniform to all wholesale dealers within each zone. The Central Zone, which is shown on the map, is the heart of the Corn Belt. In this zone the base price schedules given in the order are to prevail. The Chicago Zone will carry the base schedule of prices plus 25 cents per hundredweight, a differential added to maintain a normal flow of product from the Central Zone. All other areas are included in what is called the "Outside" Zone, which is further broken down into three sub-zones as shown on the map. In the Eastern Sub-zone the ceilings are based upon the Chicago Zone prices plus 115 per cent times the carload freight rate from Chicago, the additional 15 per cent of the freight rate having been granted to allow for icing and the cost of freight on package material. The Southern Sub-zone is allowed 115 per cent times the freight rate on fresh and processed hog products above the Central Zone schedules, the freight rate allowance being from Kansas City. In each of these two sub-zones the applicable freight rate is the rate on fresh products for fresh pork ceilings, and that on packing-house products for cooked, cured and preserved meats and sausages. Ceilings in the Western Sub-zone are allowed a differential of 115 per cent times the applicable carload freight rate from Kansas City or St. Paul, whichever is lower. In this sub-zone the freight differential is that on packing-house products only, and is applied to both fresh meat and processed meat ceilings.

Specific provisions of the order allow certain other differentials, some as required deductions and others as permitted additions to the ceilings.

Deductions are required (1) for wholesale cuts delivered in straight or mixed carlot shipments, and for deliveries of orders for over 5,000 pounds; (2) for substandard quality in order to protect consumers and competing sellers. Additions are permitted (1) for local slaughter when delivered within 36 hours as fresh cuts (this is offered as an incentive to keep local slaughterers in business, especially in the New England and Eastern States); (2) for peddlers' deliveries up to 50 pounds a day for all foodstuffs; (3) for special cutting and trimming; and (4) to cover the cost of packing in shipping containers, such as barrels, boxes, and burlap bags.

The ceilings on dressed hogs are to be determined by the "denominator" method, which means that the individual seller will have a ceiling calculated on the basis of the average ratio of his selling prices to his live hog costs at the time of sale. This average ratio must be the same as that observed by him in the 30 days prior to March 9, 1942. The problem of inequities under old ceilings for wholesale cuts is believed to be insignificant with regard to dressed hogs, hence this method of computing ceilings was carried over into the new order.

Effects of the New Order

It is generally believed both by OPA and in the trade that the new ceiling order provides a more equitable basis for dealing since it puts all wholesale dealers in a zone on an equal footing and removes most of the advantages which some sellers had by virtue of their higher individual ceilings.

Under the new ceilings, sales to the Federal Surplus Commodities Corporation for lend-lease and military accounts lose the differential additions which under the old ceilings gave heavy sellers for this account an undue advantage. The new order permits differentials for such

(*Continued on page 5*)

Banks and the New Tax Law

The new tax act makes a number of revisions in the internal revenue code which are of special interest to banks. The corporation tax rates, to which banks are subject, are increased somewhat, but the increase in the general tax burden on corporations is comparatively light. Estimated yield of the new taxes is about $7,000,000,000, after deducting about $1,700,000,000 refundable in "post-war" credits. About $1,300,000,000 of the net increase in tax revenues will come from corporations, nearly $5,000,000,000 will be paid by individuals, and the balance will come from excise taxes.

Rates of the normal tax on corporations are unchanged from 1941, with one minor exception in the case of corporations having taxable incomes of slightly over $25,000 (new tax in this case is $4,250 plus 31 per cent of the excess over $25,000). Surtaxes have been increased and the method of computation changed slightly. From last year's rates of 6 per cent for the first $25,000 bracket, and 7 per cent for the excess over $25,000, the new surtax is 10 per cent on net incomes of $25,000 or less and 16 per cent if the net income is over $50,000; while a corporation with net income between $25,000 and $50,000 pays a surtax of $2,500 plus 22 per cent of the excess of net income over $25,000.

This year the amount of the corporate income subject to the excess-profits tax is subjected to that tax only, and the normal tax and surtax do not apply to it. The excess-profits tax rate, which formerly was graduated at from 35 to 60 per cent, is now a flat 90 per cent. A ceiling is set on corporate taxes by an over-all tax limitation of 80 per cent of net income.

An innovation in the act is the provision for "post-war" refunds. In the case of corporations the refund is to be 10 per cent of the excess-profits tax. It is possible, however, to obtain the benefit of this refund sooner than the war's end. Where debt reductions by the corporation took place during the taxable year, 40 per cent of the reduction will be allowed as a deduction from taxes payable in the following year, such deduction, however, being limited to the amount of the "post-war" refund. Any part of the refund not taken in this manner will be converted into bonds which, as long as the war lasts, will be non-interest-bearing and non-transferable.

The uncertainties with respect to taxing bad debt recoveries of banks should be dispelled by a provision in the new act that bad debt recoveries are taxable only to the extent that the original deduction of the bad debt resulted in a reduction of the tax paid in a previous year. This provision is made retroactive to the taxable years beginning after December 31, 1938.

The holding period of capital assets for "long-term" gain or loss on sale of capital assets is cut from 18 months to 6 months, and a limitation on the tax on "long-term" capital gains has been set at 25 per cent. A new provision of the act excludes bonds from the category of capital assets in the case of bond sales by a bank where bond losses exceed bond profits in the taxable year. Beginning in 1942, premium on bonds will be amortized as annual deductions from income, rather than being deducted as a capital loss in the year the respective bonds are disposed of. Amortization on partially tax-exempt bonds is applicable against the interest on such bonds, while amortization on wholly tax-exempt bonds is not deductible. Adjustment to the base value for computing profit or loss on the sale of bonds must be made for the bond premium amortization annually (beginning in 1942), regardless of whether or not the amortization is deductible from taxable income.

The filing of consolidated returns by affiliated corporations generally is allowed again for the first time in a number of years, with an additional 2 per cent of surtax being charged for the privilege. Provision is made for annual declaration of capital stock value for capital stock and declared value excess-profits taxes.

A new provision revises the base for the exclusion of a low (or deficit) year in the computation of the excess-profits credit based on income. This provision allows a substitution for the low year's excess-profits net income (or deficit) of an amount equal to three-fourths of the average net income of the other three of the four years used in arriving at the average net income used in computing the excess-profits credit based on income.

The computation of the excess-profits credit based on invested capital is also changed. Last year's rate of 8 per cent for the first $5,000,000 of invested capital is retained, but the former rate of 7 per cent for the excess over $5,000,000 now applies only to the first $5,000,000 of that excess. Over $10,000,000 the rate is 6 per cent for the excess up to $200,000,000, and 5 per cent for the excess over that amount.

A new two-year carry-back provision for net operating losses is added to the former procedure which allowed a net operating loss to be carried forward to the two succeeding taxable years. Now a net operating loss of the taxable year is deductible first against the income of the second preceding year, then against that of the first preceding year, and then in order against the income of the two succeeding years. Likewise the former provision for carry-over of an unused excess-profits credit is revised to a similar carry-back and carry-over procedure. These amendments are applicable to taxable years beginning after December 31, 1940.

Miscellaneous provisions of the new act eliminate stamp taxes on certain transfers of securities made by operation of law and also postpone from January 1, 1943, to January 1, 1944, the effective date of the increase in the Social Security Tax (from 1 to 2 per cent each by employer and employee).

Seventh District Industrial Labor Supply

The imperative demands of total war have brought economic activity in the nation and in the Seventh District to the highest level ever attained. Industrial production has far surpassed any previous peak. Agricultural production this year will be the largest on record. More people are at work today than ever before. But these attainments represent only a beginning. Further peaks in output must be achieved through the utmost mobilization of all our resources.

Fuller and more effective use of our labor supply is vital in the attainment of a growing volume of production of war materials. Attention was drawn to the growing scarcity of labor resources and their non-uniform pattern by the report of the War Manpower Commission to the War Production Board on October 20, on areas in which labor shortages already exist, in which shortages are anticipated, and in which there are labor surpluses.

The War Manpower Commission reported thirteen Seventh District cities as those in which labor shortages exist and in which contracts should not be awarded whenever the facilities for meeting the requirements are available in other areas. In fourteen other industrial centers within the District, the War Manpower Commission anticipates shortages and recommended that contracts which have a maximum delivery date of more than six months should not be awarded. In thirteen other Seventh District cities, there are labor surpluses. In these areas the procurement officials were urged to make a special effort to place contracts in order to utilize the labor resources more effectively.

Careful consideration must be given to all aspects of labor supply in planning expanded production of war materials and restricted production of civilian goods. New war production and subcontracting should be centered, as far as possible, in areas expected to have adequate working forces in the calculable future. Increased demands in communities already faced with labor shortages mean costly migration, acute housing problems, and greater over-taxing of inadequate transportation and other local facilities—all having adverse effects on the output of war materials.

The War Manpower Commission's designation of areas in which contracts should and should not be placed was requested by the War Production Board as a guide to the war procurement agencies—Army, Navy, Maritime Commission, and Treasury—in the placing of contracts. The director of the War Production Board procurement policy division stated on October 26 that the report of the War Manpower Commission advising the War Production Board that labor shortages existed in certain areas does not mean that these areas will cease receiving war contracts. "However, it does mean," it was stated, "that war contracts for the manufacture of certain items will not be placed in these labor shortage areas if the same items can be produced on time and with a minimum requirement of new machinery and equipment in areas where the labor supply is ample and if the labor is convertible from one industry to another."

The War Manpower Commission listed six areas in Michigan, three in Wisconsin, two in Illinois, and two in Indiana, as areas in which labor shortages exist and in which contracts should not be awarded whenever the facilities for meeting the requirements are available in other areas. No labor shortage areas were reported in Iowa.

SEVENTH DISTRICT AREAS IN WHICH INDUSTRIAL LABOR SHORTAGES EXIST

Illinois:
- Joliet
- Rockford

Indiana:
- Indianapolis
- Kingsbury-La Porte

Iowa:
- None

Michigan:
- Detroit
- Flint
- Lansing
- Muskegon
- Pontiac
- Saginaw
- Bay City

Wisconsin:
- Clintonville
- Manitowoc
- Sturgeon Bay

Seventh District areas in which industrial labor shortages are anticipated by the War Manpower Commission are to a large extent concentrated in the industrial regions along the southwestern shore of Lake Michigan, including the Chicago metropolitan area. Other areas of anticipated labor shortage are in central Illinois and Iowa, and southern Indiana and Michigan.

SEVENTH DISTRICT AREAS IN WHICH LABOR SHORTAGES ARE ANTICIPATED

Illinois:
- Chicago
- Springfield
- Sterling

Indiana:
- Bloomington
- Connersville
- South Bend
- Terre Haute

Iowa:
- Des Moines

Michigan:
- Adrian
- Battle Creek
- Grand Rapids
- Jackson

Wisconsin:
- Milwaukee
- Racine

Industrial labor surpluses now exist, according to the War Manpower Commission, in some sections of all states in the Seventh District. Illinois has the largest number of communities affected by appreciable unemployment. Two centers in each of the other four District states have industrial labor surpluses.

SEVENTH DISTRICT AREAS WITH THE INDUSTRIAL LABOR SURPLUSES

Illinois:
- Aurora
- Bloomington
- Danville
- Galesburg
- Peoria

Indiana:
- Kokomo
- Lafayette

Iowa:
- Cedar Rapids
- Sioux City

Michigan:
- Benton Harbor-St. Joseph
- Kalamazoo

Wisconsin:
- LaCrosse
- Oshkosh

These reported surpluses are largely attributable to reduced activity in certain civilian industries, e.g., household appliances, glass, paper, wholesale and retail distribution, automobile supplies, residential construction, and specialty products, without offsetting employment opportunities for war production in the same general areas.

The present and impending labor shortage in the Seventh District, however, cannot be met solely by the transfer of those who are now unemployed to war plants or by a shift in war production to labor surplus areas because both the number and skills of the unemployed when set against the needs of industry, agriculture, and Government are generally inadequate. The Seventh District labor force must be supplemented by new or previously unutilized sources of labor, e.g., women, workers withdrawn from less essential industries, non-white workers, and older workers.

Revised Price Ceilings

(*Continued from page 2*)

selling only under the general provision which allows additions for special cutting and trimming, and for shipping packages. The new regulation makes the checking of violations much easier, for each seller in a zone now will know what every seller's ceiling is, whereas under the old order dealers had many different ceilings and although one might suspect violation of the ceilings, it was an intricate job to determine whether the ceiling was being violated.

It is also believed that the order will result in much better distribution of short supplies since dealers will presumably no longer have any incentive to make a selective disposal of available supplies, nor will buyers have the advantage in buying that the old ceilings gave them due to their sales to Federal Surplus Commodities Corporation.

But some new problems are raised by the order or at least some old ones are left uncertain as to their solution. For example, there is the question of whether or not packers will continue to compete "ruinously" for the available live animal supplies to maintain their customary following. There is also some question as to whether the new uniform ceilings are nearly enough in line with the normal price structure of the wholesale pork market to prevent squeezes from developing to threaten vitally needed facilities. Some observers believe that the New England local slaughterers are at some disadvantage because their differentials are not high enough in terms of the usual price relationships prevailing in that area. It is reportedly customary for processors in that area to trim more fat from the meat and receive a higher price for the product. This may be solved in part by these processors leaving more fat on the product and thus getting along under the ceilings as set for them. It is believed that the order may be hard on those processors who have been selling products somewhat specialized as to quality not recognized in the order. Such items as longer curing, specialized quality processes, and the advertising costs of "premium" lines are not covered by price allowance in the order. This possibility is frankly recognized by OPA, but that agency felt that since a line had to be drawn somewhere it was not practicable, in view of the aims of the regulation, to attempt to allow for it. The question also has been raised as to whether the differentials between various products in the schedules are such as to maintain the production of the desired proportions among the various cuts. But OPA's stated objective is to secure maximum production of pork products of good quality.

Summary

The new order in general is believed to represent a substantial step forward in simplifying the problem of price administration of a very complicated wholesale price field. It is expected that the relative advantages among sellers have been put on a more equitable basis and that many of the problems of enforcement and of disposition of supplies that arose under the old order will be obviated. Under the old order, Chicago ceiling prices ranged from 25 cents on fresh regular loins to 33 cents for various wholesale dealers. The new ceiling is 26½ cents for all dealers.

What effect the new order will have on live animal prices is, of course, not yet certain. Various estimates in the trade indicate that the new ceilings will reflect live animal prices on a Chicago average basis ranging from $13.25 to $14. The reflected price in part will depend upon the extent to which the industry as a whole continues to trade on its normal margin in a struggle to maintain volume and customary following. However, the restriction order limiting sales into domestic consumption serves as somewhat of a check on that tendency. Since the announcement of the new regulation Chicago average prices have ranged around $14.75. Administrator Henderson has warned packers that unless they can get their live costs down to $14, price ceilings will be placed on live animals. There appears to be some farm sentiment that under the new price law, ceilings on live animals cannot be put legally below $15.

Review of Seventh District Business

Notwithstanding the fact that employment in the Seventh Federal Reserve District during September had only attained the level of a year ago, shortages of labor in some parts of the District became so acute that the War Manpower Commission requested that no further war contracts be awarded to manufacturing firms in thirteen cities in this area. In fourteen other industrial producing centers within the District, the War Manpower Commission anticipates labor supply problems in the immediate future as war plants complete expansion programs and seek to add new workers. Such shortages seem more glaring now that activity is higher than ever before attained and each successive gain is harder to achieve, and to hold. The Federal Reserve Bank of Chicago index of manufacturing employment (1935-39 = 100) stood at 145 after having fallen to 133 in March of this year.

The recovery has averaged a little less than 2 per cent a month, but cumulative gains from March through September have completely compensated for the losses that occurred during the large scale conversion of industry from a civilian to a war production basis. The trend in employment showed two distinct phases: one was of curtailment; the other was of recovery. Each lasted six consecutive months.

While the aggregate number of workers remains unchanged, there has been a considerable shift in the position of the separate industrial groups and of workers within those groups. Workers have gone from industry into the armed forces, new workers have entered industry, and workers have moved from lower to more highly-paid positions. Durable goods have gained slightly at the expense of non-durable goods. Only two of the ten major manufacturing groups are employing more workers today than a year ago. These are the metals and machinery group and the food products industries. Two groups are employing practically the same number of workers as a year ago. These groups are transportation equipment, and chemicals. Two other groups, textiles and leather, have shown a moderate decline. The four remaining groups, rubber, stone-clay-glass, wood products, and paper and printing, have shown extensive losses.

While major problems affecting the economy have arisen as a result of the shifts in manpower, another change of important magnitude has been taking place. The construction industry has undergone a transition from one serving mainly private enterprise and local government to one serving mainly the Federal Government. In nine months, January through September of this year, 18 per cent of the value of contracts awarded in this District still represented private ownership, but the ratio has been steadily declining and, during the last two months of this period, was down to little more than 7 per cent. Most of this small portion was for privately-built housing in defense-plant areas for which priority assistance in obtaining materials could be obtained. Construction work on single family dwellings, unless specifically authorized by the War Production Board, has been limited to a valuation of $200 since September 7. Residential awards in September showed a considerably higher valuation than in the preceding month, but were practically 20 per cent below that of September a year ago.

Total valuation of contracts awarded during September declined from the record high figure of the previous month but remained higher than in any other month on record. The high valuation in September, as in August, was due to the increase in volume of awards for industrial plant facilities. Such facilities have totaled almost $500,000,000 in the first nine months of this year or more than twice as much as in the same months last year. Practically all of this construction was being publicly financed. Public works and utilities have been 13 per cent in excess of last year's volume. The value of construction contracts as a whole has now reached a total of 46 per cent more than in the same period last year.

Bituminous coal production in Illinois, Indiana, Iowa, and Michigan during September was 10 per cent more than it was in August. It was up that much also over the corresponding month a year ago. For the first nine months of this year, production was 18 per cent ahead of the same period last year. The gain in this District was proportionately the same as that reported for the country as a whole. Stocks on the last day of September exceeded those of a year earlier by 53 per cent. Consumption of coal by industry during September exceeded that of a year ago by as much as 10 per cent. Retail deliveries, however, were 12 per cent lighter than they were a year earlier.

According to preliminary estimates for the month of September, crude oil production in the states of Illinois, Indiana, and Michigan averaged 345,600 barrels a day, which was 2 per cent less than in August and 30 per cent below the daily average in September 1941. Runs of crude petroleum to refineries in the Illinois-Indiana-Kentucky area during September were estimated at 739,000 barrels a day. This average exceeded slightly the average of a year ago.

The striking feature in agriculture during September was the strength in hog prices above usual seasonal expectations. Two factors appear to be responsible for this—the heavy feeding for additional gain on animals in order to market them at the heaviest possible weights, and some uncertainty in the mind of the hog farmer as to present developments, many farmers feeling that because of the heavy demands for pork and lard, prices would strengthen further.

SALES OF INDEPENDENT RETAIL STORES
Seventh Federal Reserve District

	Per Cent Change September 1941 to September 1942				
	Illinois	Indiana	Iowa	Michigan	Wisconsin
Total All Groups*.....	− 3	+ 5	+ 2	− 2	− 4
Apparel Group........	− 1	+31	+12	+10	+ 9
Drug Stores..........	+10	+22	+12	+18	+15
Eating and Drinking Places..........	+19	+19	+ 5	+20	+ 9
Food Group...........	+21	+29	+13	+23	+18
Furniture-Household-Radio Group........	−16	−11	− 1	+ 1	−12
Hardware Stores.......	− 1	+11	**	− 2	− 3
Jewelry Stores.......	−13	+10	+ 3	− 9	−18
Lumber and Building Materials..........	−10	− 8	− 4	−21	−25
Motor Vehicle Dealers..	−53	−42	−38	−51	−52

*Includes classifications other than those listed.
**Increase of less than one per cent.
Source: Bureau of the Census, United States Department of Commerce.

WHOLESALE TRADE
Seventh Federal Reserve District

Commodity	Per Cent Change Sept. 1941 to Sept. 1942			
	Net Sales	Stocks	Accounts Outstanding	Collections
Drugs and Drug Sundries	+13.6	+ 2.7	− 1.6	+17.7
Electrical Goods...........	−39.3	−40.4	−34.0	−33.7
Groceries..................	+11.7	− 9.1	+ 2.2	+17.8
Hardware...................	− 5.7	−28.2	−27.0	+10.0
Jewelry....................	−36.6	− 0.1	−39.6	+ 4.2
Meats and Meat Products....	+36.2	− 7.7	+15.4	+45.1
Paper and Its Products......	−26.1	+11.0	−31.8	−28.1
Tobacco and Its Products....	+10.9	+14.7	+12.1	+ 5.2
Miscellaneous..............	− 1.7	− 4.5	−20.8	− 6.7
Total......................	− 0.2	−16.7	−18.4	+ 6.0

Source: Bureau of the Census, United States Department of Commerce

BUILDING CONTRACTS AWARDED
Seventh Federal Reserve District

	Total Contracts	Residential Contracts
September 1942......................	$ 165,921,000	$ 21,891,000
Change from August 1942.............	−21%	+57%
Change from September 1941..........	+172%	−20%
First nine months of 1942...........	$1,056,321,000	$ 218,635,000
Change from same period of 1941......	+46%	−18%

Source: F. W. Dodge Corporation.

RECEIPTS AND SHIPMENTS OF GRAIN
At Interior Primary Markets in the United States
(In thousands of bushels)

	September 1942	September 1941	Per Cent Change September 1942 from September 1941	Ten-Year Average 1932-1941	Per Cent Change September 1942 from Ten-Year Average
Wheat:					
Receipts.......	53,362	39,908	+33.7	31,978	+66.9
Shipments.....	29,870	13,851	+115.7	17,268	+73.0
Corn:					
Receipts.......	22,388	27,920	−19.8	18,351	+22.0
Shipments.....	15,318	20,953	−26.9	9,807	+56.2
Oats:					
Receipts.......	16,703	10,448	+59.9	10,204	+63.7
Shipments.....	12,662	7,195	+76.0	6,192	+104.5
Soybeans:					
Receipts.......	337	335	+ 0.6	*	*
Shipments.....	155	56	+176.8	*	*

*Not available.
Source: Chicago Board of Trade.

HOG-CORN RATIOS

	Sept. 1942	Aug 1942	Sept. 1941	Sept. 1940
Illinois............	17.4	17.9	16.4	10.8
Indiana............	16.5	17.3	15.5	10.0
Iowa...............	18.4	18.7	17.8	11.5
Michigan...........	15.6	16.2	14.4	10.0
Wisconsin..........	16.1	16.4	15.5	9.7
United States.......	16.4	16.9	15.9	10.0

Source: Bureau of Agricultural Economics, United States Department of Agriculture.

UNITED STATES FEDERALLY INSPECTED LIVESTOCK SLAUGHTER
(In thousands)

	September 1942	September 1941	Five-Year Average September 1937-41	Per Cent Change September 1941 to September 1942	Per Cent Change September 1942 from Five-Year Average
Hogs............	3,843	2,920	2,736	+32	+40
Cattle...........	1,159	1,004	910	+15	+27
Calves...........	513	447	455	+15	+13
Lambs and Sheep.	2,223	1,567	1,608	+42	+38

Source: Agricultural Marketing Administration, United States Department of Agriculture.

DEPARTMENT AND APPAREL STORE TRADE
Seventh Federal Reserve District

Locality	Total Net Sales: Per Cent Change September 1942 from August 1942	Total Net Sales: Per Cent Change September 1942 from September 1941	Total Net Sales: Per Cent Change January through September 1942 from January through September 1941	Per Cent Change September 1942 from September 1941: Open Book Sales	Per Cent Change September 1942 from September 1941: Instalment Sales	Per Cent Change September 1942 from September 1941: Cash and C.O.D. Sales	Stocks on Hand (End of Month) Per Cent Change September 1942 from August 1942	Stocks on Hand (End of Month) Per Cent Change September 1942 from September 1941	Orders Outstanding Per Cent Change September 1942 from August 1942	Orders Outstanding Per Cent Change September 1942 from September 1941
Chicago.......	+16.0	− 5.0	+ 4.2	−18.3	−48.0	+14.4	− 1.7	+38.6	+ 1.6	−34.1
Peoria.........	+ 6.5	− 4.7	+ 1.1	−17.8	−58.3	+30.2	....	....	....	....
Fort Wayne....	+ 7.9	+25.8	+21.4	+ 4.7	....	+61.0	− 2.2	+18.6	....	....
Indianapolis....	+21.1	+11.7	+14.3	−13.9	− 8.5	+46.2	− 2.2	+25.7	+14.0	−18.6
Des Moines....	+21.1	+10.3	+ 5.7	....	....	....	....	....	....	....
Sioux City.....	+ 3.3	− 6.6	+ 2.0	....	....	....	....	....	....	....
Detroit........	+45.3	+ 5.8	+14.5	− 8.2	−17.9	+17.5	−11.5	+66.0	+ 3.8	− 3.2
Flint..........	+19.1	+ 8.0	− 8.1	....	....	....	....	....	....	....
Grand Rapids..	+31.7	+ 3.7	+ 2.1	....	....	....	− 3.8	+36.1	....	....
Lansing........	+23.6	+10.5	+ 3.6	....	....	....	....	....	....	....
Milwaukee.....	+28.0	+11.1	+14.1	− 7.6	−30.9	+35.6	− 2.0	+36.4	+ 5.0	−10.0
Other Cities....	+13.5	+ 5.7	+ 4.4	− 9.2	−25.8	+34.3	+ 1.6	+18.7	− 6.7	−23.0
District total...	+23.2	+ 2.7	+ 8.0	−12.6	−30.9	+22.7	− 3.5	+39.2	+ 3.5	−14.6
Apparel stores..	+25.0	− 9.9	+11.1	−33.7	−23.0	+36.0	− 1.1	+19.9	−13.1	−14.5

EMPLOYMENT AND PAYROLLS
Seventh Federal Reserve District

Industrial Group	Week of September 15, 1942			Per Cent Change from Aug. 15, 1942	
	Number of Reporting Firms	Number of Employes	Wage Payments (In thousands of dollars)	Number of Employes	Wage Payments
Durable Goods:					
Metals and Products[1]	1,986	655,500	28,844	+ 1.2	+ 0.4
Transportation Equipment	414	462,207	24,321	+ 4.4	+ 0.9
Stone, Clay, and Glass	292	27,958	937	+ 1.0	− 0.5
Wood Products	482	60,878	1,817	+ 0.3	+ 0.2
Total	3,174	1,206,543	55,919	+ 2.4	+ 0.6
Non-Durable Goods:					
Textiles and Products	458	79,696	1,912	− 0.6	− 3.7
Food and Products	1,040	182,145	5,665	+ 3.3	+ 1.1
Chemical Products	342	58,205	2,185	+ 1.1	− 0.7
Leather Products	183	34,959	969	− 2.2	− 5.0
Rubber Products	36	15,100	630	+ 6.3	+ 3.5
Paper and Printing	721	86,405	2,927	− 3.1	− 3.9
Total	2,780	456,510	14,288	+ 0.7	− 1.2
Total Mfg., 10 Groups	5,954	1,663,053	70,207	+ 1.9	+ 0.2
Merchandising	4,613	146,212	3,758	+ 3.3	+ 3.0
Public Utilities	1,122	116,496	4,452	− 0.8	+ 2.4
Coal Mining	44	7,307	265	+ 0.2	+ 7.4
Construction	696	33,075	1,812	+34.3	+37.5
Total Non-Mfg., 4 Grps.	6,475	303,090	10,287	+ 4.2	+ 7.6
Total, 14 Groups	12,429	1,966,143	80,494	+ 2.3	+ 1.1

[1]Other than transportation equipment. Data furnished by State agencies of Illinois, Indiana, Iowa, Michigan, and Wisconsin.

WHOLESALE PRICES

	Indexes—Sept. 1942 (1926=100)	Per Cent Change from	
		Aug. 1942	Sept. 1941
All Commodities	99.6	+0.4	+ 8.5
Farm Products	107.8	+1.6	+18.5
Foods	102.4	+1.6	+14.4
All Other	95.5	−0.1	+ 4.3

Source: Bureau of Labor Statistics.

MONTHLY BUSINESS INDEXES

Data refer to Seventh District and are not adjusted for seasonal variation unless otherwise indicated. 1935-39 average = 100	Sept. 1942	Aug. 1942	July 1942	Sept. 1941	Aug. 1941	July 1941
Manufacturing Industries:						
Durable Goods:						
Employment	156	153	150	156	153	155
Payrolls	229	228	216	186	180	179
Non-Durable Goods:						
Employment	123	122	120	125	123	121
Payrolls	153	155	150	142	139	134
Total:						
Employment	145	143	140	146	143	143
Payrolls	205	205	195	172	167	165
Furniture Manufacturing:						
Orders in Dollars	202	197	195	203	183	257
Shipments in Dollars	151	144	162	206	190	168
Paper Manufacturing:*						
Tonnage Production	121	114	110	137	135	132
Petroleum Refining—(Indiana, Illinois, Kentucky Area):*						
Crude Runs to Stills	170	168	171	169	161	163
Gasoline Production	140	140	142	166	152	156
Bituminous Coal Production:*						
Illinois, Indiana, Iowa, and Michigan	141	132	124	132	117	112
Building Contracts Awarded:						
Residential	190	121	121	237	303	307
Total	422	535	308	155	302	243
Department Store Net Sales:*						
Chicago	129	104	87	134	118	87
Detroit	203	130	109	195	124	97
Indianapolis	179	139	119	161	139	106
Milwaukee	168	125	111	154	126	99
Other Cities	156	130	98	143	132	92
Seventh District—Unadjusted	155	117	97	152	123	92
Adjusted	141	148	139	138	155	131

*Daily average basis.

COST OF LIVING

Indexes of the Cost of Goods Purchased by Wage Earners and Lower-Salaried Workers by Groups of Items
September 15, 1942
(1935-1939 average=100)

City	All Items	Food	Clothing	Rent	Fuel, Electricity, and Ice	House Furnishings	Miscellaneous
Chicago	117.4	125.1	121.4	114.4	103.6	119.4	110.5
Detroit	118.4	124.7	125.1	114.5	107.3	120.3	113.5
Average: Large Cities	117.8	126.6	125.8	108.0	106.2	123.6	111.4
Percentage Changes from September 15, 1941 to September 15, 1942							
Chicago	+ 7.1	+ 9.4	+11.9	+ 3.1	+ 1.0	+ 8.4	+ 6.0
Detroit	+ 8.0	+14.5	+13.0	− 0.2	+ 2.4	+ 7.4	+ 5.9
Average: Large Cities	+ 9.0	+14.3	+13.6	+ 1.1	+ 2.4	+10.4	+ 6.1

Source: Bureau of Labor Statistics.

BANK DEBITS
Debits to deposit accounts, except interbank accounts

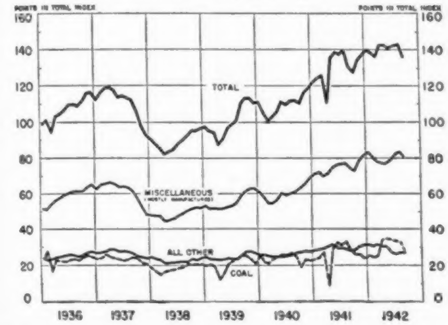
	(In thousands of dollars)			Per Cent Change September 1942 from	
	Sept. 1942	Aug. 1942	Sept. 1941	Aug. 1942	Sept. 1941
Illinois:					
Aurora	15,463	15,188	15,631	+ 2	− 1
Bloomington	17,883	16,866	14,703	+ 6	+22
Champaign-Urbana	17,495	16,561	16,682	+ 6	+ 5
Chicago	4,511,519	4,137,024	3,772,362	+ 9	+20
Danville	14,432	12,974	13,371	+11	+ 8
Decatur	31,082	30,773	22,623	+ 1	+37
Elgin	10,619	10,184	10,307	+ 4	+ 3
†Joliet	33,281	31,532	...	+ 6	...
Moline	11,464	11,442	11,176	*	+ 3
Peoria	80,803	85,137	83,026	− 5	− 3
Rockford	46,927	46,317	40,174	+ 1	+17
Springfield	35,927	34,921	30,550	+ 3	+18
Indiana:					
Fort Wayne	59,796	53,471	41,920	+12	+43
Gary	24,584	24,579	23,058	*	+ 7
Hammond	13,138	12,270	11,490	+ 7	+14
Indianapolis	323,474	314,276	278,135	+ 3	+16
†Lafayette	14,222	13,273	...	+ 7	...
†Muncie	20,836	20,273	...	+ 3	...
South Bend	62,000	56,466	52,529	+10	+18
Terre Haute	40,762	34,521	29,467	+18	+38
Iowa:					
†Burlington	12,555	11,698	...	+ 7	...
Cedar Rapids	37,584	36,195	35,095	+ 4	+ 7
Clinton	9,465	9,297	7,563	+ 2	+25
Davenport	31,963	27,142	25,955	+18	+23
Des Moines	143,490	117,852	109,433	+22	+31
Dubuque	13,293	12,591	12,535	+ 6	+ 6
Mason City	13,878	13,340	11,958	+ 4	+16
Muscatine	4,796	4,996	4,487	− 4	+ 7
†Ottumwa	16,692	16,501	...	+ 1	...
Sioux City	62,150	64,462	54,134	− 4	+15
Waterloo	25,968	25,787	24,621	+ 1	+ 5
Michigan:					
Adrian	5,883	6,017	5,233	− 2	+12
Battle Creek	22,101	21,396	18,343	+ 3	+20
Bay City	19,746	17,597	16,140	+12	+22
Detroit	1,838,647	1,757,294	1,337,019	+ 5	+38
Flint	36,885	35,354	32,967	+ 4	+12
Grand Rapids	83,556	73,775	72,469	+13	+15
Jackson	24,566	25,728	21,897	− 5	+12
Kalamazoo	29,426	31,522	32,403	− 7	− 9
Lansing	46,949	43,165	30,752	+ 9	+53
†Muskegon	30,298	30,430	...	**	...
†Port Huron	13,737	13,006	...	+ 6	...
Saginaw	33,040	31,037	30,414	+ 6	+ 9
Wisconsin:					
Green Bay	20,586	21,572	19,913	− 5	+ 3
†Madison	53,253	51,435	...	+ 4	...
Manitowoc	12,354	11,517	9,537	+ 7	+30
Milwaukee	436,823	415,616	333,906	+ 5	+31
Oshkosh	12,191	12,519	11,166	− 3	+ 9
†Racine	27,334	25,354	...	+ 8	...
Sheboygan	25,724	27,350	24,130	− 6	+ 7
Total 41 Centers	8,308,432	7,756,082	6,749,274	+ 7	+23
Total 50 Centers	8,894,985	8,314,179	...	+ 7	...
United States: 274 Centers	52,704,000	49,170,000	43,866,000	+ 7	+20

†New reporting centers for which figures were not collected before May 1942.
*Increase of less than one per cent. **Decrease of less than one per cent.

INDUSTRIAL PRODUCTION

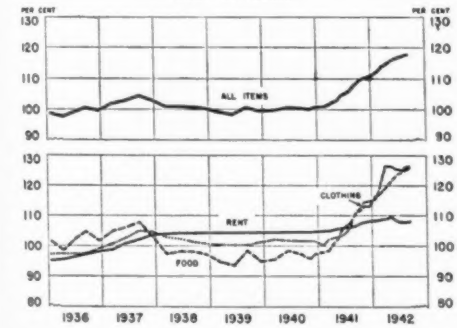
Federal Reserve monthly index of physical volume of production, adjusted for seasonal variation, 1935-39 average = 100. Latest figures shown are for September, 1942.

FREIGHT-CAR LOADINGS



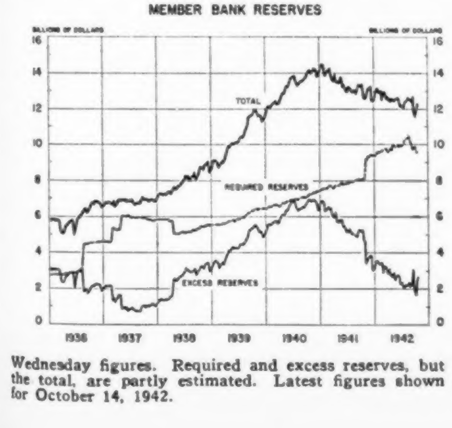
Federal Reserve monthly index of total loadings of revenue freight, adjusted for seasonal variation, 1935-39 average = 100. Subgroups shown are expressed in terms of points in the total index. Latest figures shown are for September, 1942.

COST OF LIVING



Bureau of Labor Statistics' indexes, 1935-39 average = 100. Fifteenth of month figures. Last month in each calendar quarter through September, 1940, monthly thereafter. Latest figures shown are for September, 1942.

MEMBER BANK RESERVES



Wednesday figures. Required and excess reserves, but not the total, are partly estimated. Latest figures shown are for October 14, 1942.

National Summary of Conditions

(By Board of Governors of Federal Reserve System)

Industrial activity expanded further in September and the first half of October. Prices of uncontrolled commodities continued to advance in September. Early in October an Office of Economic Stabilization was established with a view to more effective control of prices and wages affecting the cost of living.

Production—Industrial production increased more than seasonally in September and the Board's adjusted index rose 2 points to 185 per cent of the 1935-1939 average. Armament production continued to advance. Steel production was maintained at a high level during September and then increased during October, reaching 101 per cent of rated capacity in the third week of the month. Cotton consumption continued at a high rate and output of manufactured food products rose more than seasonally owing chiefly to increased activity in the meatpacking and canning industries. Coal production, which had been maintained in large volume during the summer months, did not show the usual sharp seasonal rise in September and the first half of October. Output of crude petroleum showed little change following a considerable increase in August.

Value of construction contracts awarded in September was about the same as in August, according to reports of the F. W. Dodge Corporation. As in other recent months, awards were mainly for publicly-financed work which, in September, amounted to over 90 per cent of the total.

Contracts for manufacturing buildings reached the highest total yet reported, and increased awards for defense housing raised the total for residential building by about one-fourth despite a decline in privately-financed work. Awards for public works and utilities and for commercial buildings dropped substantially.

Distribution—Department store sales, which had been unusually large in August, showed somewhat less than the usual sharp seasonal rise during September. In the first half of October sales were sustained near the high level prevailing at the beginning of the month. Variety store sales increased seasonally from August to September, while sales in small towns and rural areas rose by more than the usual seasonal amount.

Railroad freight-car loadings increased further in September and the first half of October. The rise was small for this time of year, however, owing mainly to the fact that shipments of many commodities, particularly coal, had been maintained at unusually high levels during the summer months.

Commodity Prices—Prices of uncontrolled commodities advanced further in September. During the first half of October, after passage of an amendment to the Price Control Act of 1942, more widespread controls were announced. Maximum prices at the highest levels reached around the end of September were established for butter, cheese, eggs, and various other foods. These items constitute nearly one-third of the food budget and now the proportion of the total under control is about 90 per cent. Another action directed residential rents throughout the country to be limited to the levels of March 1, 1942, wherever rent control procedures were not already in effect.

Agriculture—The October 1 official crop report confirmed earlier prospects that unusually heavy crop yields were in sight. The Department of Agriculture pointed out, however, that, as the harvest progresses under difficulties, particularly as to labor supply, farmers are showing less assurance that it can be completed in season. Record crops of grain, hay, oilseeds, sugar, vegetables, and probably fruits are still likely.

Bank Credit—Following a temporary peak of 3 billion dollars in mid-September, excess reserves of member banks declined to 1.7 billion dollars in the latter half of September but increased considerably in the first three weeks of October. This increase resulted in part from the action of the Board of Governors of the Federal Reserve System in reducing reserve requirements on demand deposits at central reserve city banks from 22 to 20 per cent, which added about 400 million dollars to excess reserves. In addition member bank reserves were increased through purchases of Government securities by the Federal Reserve Banks. As a result of these developments excess reserves of all member banks on October 21 amounted to 2.4 billion dollars, of which about 500 million dollars were in New York City.

At reporting banks in leading cities heavy purchases of new Treasury certificates of indebtedness and Treasury notes were reflected in an increase of 1.6 billion dollars in Government security holdings during the four weeks ending October 14. Further large increases occurred in the following week as banks received their allotments of the new 1½ per cent notes and 2 per cent bonds. Commercial loans, after declining in August and September, increased in the first two weeks of October, mainly in New York City, while other loans declined further.

United States Government Security Prices—Prices of United States Government securities continued steady last month. Long-term taxable bonds are yielding 2.33 per cent on the average and long-term partially tax-exempt bonds are yielding 2.05 per cent.

SEVENTH FEDERAL

WIS MICH

IOWA 7G

ILL IND

RESERVE DISTRICT